

# Worksession

<b>Agenda Item #</b>	4
<b>Meeting Date</b>	20 February 2007
<b>Prepared By</b>	Sara Anne Daines HCD Director
<b>Approved By</b>	Barbara B. Matthews City Manager

<b>Discussion Item</b>	Amendment of Chapter 6.28.010 of the <i>Takoma Park Code</i> expanding notification requirements for contract of sale of a rental facility
<b>Background</b>	<p>During the course of the Landlord Certification Seminars offered by the Housing and Community Development Department, staff has noted an increase in the number of new landlords - individuals who have purchased rental property in the community for the first time - who have indicated that they were not made aware of many of the local laws governing the purchase, licensing and operation of rental properties in Takoma Park prior to their purchase of the property. Their lack of knowledge of these laws, particularly rent stabilization, has created numerous challenges for both the landlord and their tenants.</p> <p>To address this concern and in support of one of the recommendations made by Dr. Baar, the consultant currently reviewing the City's rent stabilization ordinance, the following amendments to Chapter 6.28 of the <i>Takoma Park Code</i> have been proposed. The current ordinance requires an owner to simply provide a prospective purchaser with copies of inspection reports for the prior two years. Disclosure of the requirements of the City's rent stabilization laws is not required.</p> <p>If approved, the following information must be provided to the prospective purchaser and included or attached to all contracts for sale of rental properties:</p> <ol style="list-style-type: none"> <li>1. Formal notice of the City's rental housing laws - including rent stabilization, tenant opportunity to purchase, licensing and landlord tenant relations (form of notice included in text of proposed ordinance amendment); and,</li> <li>2. Copies of the annual rent reports for the property for the prior two years; and,</li> <li>3. Copies of all license inspection reports for the property for the prior two years.</li> </ol> <p>The documents must be signed or initialed by both the owner and the prospective purchaser, acknowledging their receipt of the information.</p> <p>The prospective purchaser may rescind the contract of sale and demand the immediate return of any deposit if they do not receive the required information on or before finalizing the sale. These notification requirements do not apply to certain sales (i.e., tax sales, foreclosure, transfer to a family member, etc.).</p>
<b>Policy</b>	To inform and educate local landlords and tenants of their rights and responsibilities under the City of Takoma Park's various rental housing laws.

<b>Fiscal Impact</b>	N/A
<b>Attachments</b>	Ordinance - Mandatory Notice Requirements for Contracts of Sale of Rental Facility
<b>Recommendation</b>	To review and discuss the proposed amendment and increased notification requirements
<b>Special Consideration</b>	If authorized by the Council, the ordinance would be considered for the first reading on February 26 with the second reading held on March 12.

Introduced by:

First Reading:

Second Reading:

Effective Date:

**CITY OF TAKOMA PARK, MARYLAND**

**ORDINANCE NO. 2007-**

**(Mandatory Notice Requirements for Contracts of Sale of a Rental Facility)**

**WHEREAS**, City law includes extensive regulation of rental housing, including provisions granting the tenants of a rental facility the first opportunity to purchase the rental facility, restricting rents, mandating that annual rent reports be filed, requiring that rental facilities be inspected and licensed, and regulating the landlord-tenant relations; and

**WHEREAS**, some purchasers of rental facilities have complained that they were not informed and were unaware of the City's rent stabilization law and other City rental housing laws and requirements at the time they purchased the rental facility; and

**WHEREAS**, in some instances, the tenants of such rental facilities have been subject to improper rent increases and fees and lease provisions that do not comply with the City's rental housing laws; and

**WHEREAS**, in order to better ensure that purchasers of rental facilities are informed of City laws relating to rental housing, including the existence of rent stabilization and the allowable rents for the rental facility, and to protect tenants, the Council desires to enact a mandatory notice requirement that sellers of rental facilities must include in the contract of sale.

**NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF TAKOMA PARK, MARYLAND**, that Title 6, Housing, Chapter 6.28, Section 6.28.010 of the *Takoma Park Code* is amended as follows:

**Chapter 6.28. Sale of Rental Facilities–Notice, Disclosure, and Inspection Requirements.**

**Section 6.28.010      Contract of sale requirements. Disclosure of City inspection reports required.**

A.      On or before entering into a contract for the sale of a rental facility, the ~~An~~ owner or agent of a the rental facility ~~entering into a contract for the sale of the rental facility~~ shall provide the prospective purchaser with the following:

1.      A notice of City of Takoma Park rental housing laws (“Notice”) in accordance with paragraph H of this section;

2.      Copies of the annual rent reports for the rental facility for the previous 2 years (see Section 6.20.050); and

3.      Copies of all ~~City~~ rental licensing inspection reports of the rental facility (“~~City~~ inspection reports”) for the previous 2 years, ~~on or before entering into a contract for the sale of the rental facility.~~

B.      At the time the Notice and documents listed in paragraph A of this section ~~City inspection reports~~ are delivered, each purchaser shall sign and date a written acknowledgment of receipt of the Notice and shall initial each inspection report and annual rent report. The Notice ~~,which~~ shall be included in or attached to the contract of sale for the rental facility and the reports shall be attached to the contract of sale.

C.      A purchaser who receives the Notice and documents listed in paragraph A of this section on or before entering into the contract of sale for a rental facility does not have the right to rescind the contract of sale based upon the information contained in the Notice, rent reports or ~~City~~ inspection reports of the rental facility.

D.      A purchaser who does not receive the Notice and documents listed in paragraph A of this section ~~City inspection reports~~ on or before entering into the contract of sale for rental facility

has the right, upon written notice to the seller or seller's agent:

1. To rescind the contract of sale at any time before the receipt of the Notice, rent reports, and City inspection reports or within 5 days following receipt of the Notice, rent reports, and City inspection reports of the rental facility; and

2. To the immediate return of any deposits made on account of the contract of sale.

E. Waiver of Purchaser's Rights.

1. The rights of a purchaser under this section may not be waived in the contract of sale and any attempted waiver is void.

2. Any rights of the purchaser to terminate the contract of sale for the rental facility provided by this section are waived conclusively if not exercised before settlement on the transfer of title to the purchaser.

F. Each contract of sale for a rental facility shall include a Notice advising the purchaser of the purchaser's rights as set forth in this chapter.

G. The Notice, disclosure, and inspection requirements established by this chapter do not apply to:

1. A sheriff's sale, tax sale, deed in lieu of foreclosure, or sale by foreclosure, partition, or by court-appointed trustee;

2. A transfer of the rental facility by a fiduciary in the course of the administration of a decedent's estate, guardianship, conservatorship or trust;

3. A transfer of the rental facility or any interest therein, to a spouse, former spouse, domestic partner, former domestic partner, parent, sibling, child or grandchild; or

4. A transfer of a single-family rental facility to a purchaser who stipulates in

the contract of sale that the property will not be used for rental purposes. It will be the responsibility of the ~~purchaser~~ seller of the single-family rental facility to notify the City, within 15 working days after transfer of title to the property, of the discontinuance of use of the property as a rental facility.

H. Except as provided in paragraph G of this section, the following Notice shall be included in or attached to all contracts of sale for a rental facility:

**CITY OF TAKOMA PARK, MARYLAND**

**NOTICE OF RENTAL HOUSING LAWS**

This Notice is attached to and made a part the Contract dated \_\_\_\_\_, between the undersigned Seller and Purchaser for the sale and purchase of residential rental property located at \_\_\_\_\_, Takoma Park, Maryland.

The City of Takoma Park advises prospective purchasers to familiarize themselves with the City laws and regulations regarding rental housing before purchasing any property that is used as residential rental housing. These laws include the following:

**1. Tenant Opportunity to Purchase (Takoma Park Code, Chapter 6.32).** Before a Seller may go to settlement on the sale of a rental facility, the Seller must give the tenants an opportunity to purchase the rental facility. All contracts for the sale of the rental facility are subject to the rights of the tenant(s) or tenant association to purchase the rental facility in accordance with Chapter 6.32.

**2. Rent Stabilization (Takoma Park Code, Chapter 6.20).** The rent stabilization law restricts rent increases for residential rental units. The Seller is required to provide the Purchaser with copies of the two most recent annual Rent Reports for the rental facility, which must be initialed by the Purchaser and attached to the Contract of Sale.

**3. Rental Housing Licenses (Takoma Park Code, Chapter 6.08).** All rental facilities must be inspected for compliance with the Property Maintenance Code and licensed. The Seller is required to provide the Purchaser with copies of the two most recent Rental Housing Licensing Inspection Reports for the rental facility, which must be initialed by the Purchaser and attached to the Contract of Sale.

**4. Landlord-Tenant Relations (Takoma Park Code, Chapter 6.16).** In addition to the applicable state landlord-tenant laws, the City of Takoma Park has supplemental laws regulating the landlord-tenant relation, including restrictions on allowable pet and other fees that may be charged to a tenant, and a Commission on Landlord-Tenant

Relations, which hears complaints of landlord-tenant violations and appeals from rent increase petition decisions.

Additional information is available upon request from the City of Takoma Park Department of Housing and Community Development at (301) 891-7119 or at [www.takomaparkmd.gov](http://www.takomaparkmd.gov).

THIS NOTICE IS REQUIRED BY THE CITY OF TAKOMA PARK TO PROVIDE GENERAL INFORMATION ABOUT THE CITY'S RENTAL HOUSING LAWS AND REQUIREMENTS AND IS NOT INTENDED TO PROVIDE SPECIFIC LEGAL OR INVESTMENT ADVICE.

Seller: \_\_\_\_\_

Date: \_\_\_\_\_

Print Name: \_\_\_\_\_

Seller: \_\_\_\_\_

Date: \_\_\_\_\_

Print Name: \_\_\_\_\_

PURCHASER ACKNOWLEDGES RECEIPT OF THIS NOTICE, COPIES OF RENTAL HOUSING LICENSING INSPECTION REPORTS FOR YEARS \_\_\_\_\_ AND \_\_\_\_\_, AND COPIES OF THE ANNUAL RENT REPORTS FOR YEARS \_\_\_\_\_ AND \_\_\_\_\_ FOR THE PROPERTY LOCATED AT \_\_\_\_\_, TAKOMA PARK, MARYLAND.

Purchaser: \_\_\_\_\_

Date: \_\_\_\_\_

Print Name: \_\_\_\_\_

Purchaser: \_\_\_\_\_

Date: \_\_\_\_\_

Print Name: \_\_\_\_\_

**ADOPTED BY THE COUNCIL OF THE CITY OF TAKOMA PARK, MARYLAND,  
THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2007, BY ROLL-CALL VOTE AS FOLLOWS:**

**Aye:**

**Nay:**

**Absent:**

**Abstain:**

### **EXPLANATORY NOTE**

Additions to the existing language of the *Takoma Park Code* are shown by underlining.  
~~Deletions~~ to the existing language of the *Takoma Park Code* are shown by ~~strikeout~~.

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